

The Washington Merry-Go-Round

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McCone Withheld Some Facts

While Drew Pearson is in the Midwest, his column is written by his associate, Jack Anderson.

By Jack Anderson

The Maritime Administration's confidential records reveal that John McCone, the new Central Intelligence chief, did not correctly inform Senators last week about an alleged conflict of interest while he was Atomic Energy chairman.

We hope that McCone's period as CIA director will be productive and efficient. But one of the purposes of Senate confirmation debate is to alert the public regarding the past record of the office-holder, and put him on notice regarding the future. This was one objective in cross-examination given McCone by some of the more alert and conscientious members of the Senate Armed Services Committee.

They questioned McCone about the arbitrary award of the atomic-ship contract to States Marine, which was associated with McCone in several joint shipping ventures.

A selection board, using a careful point system to determine the best qualified company, rated States Marine sixth out of seven applicants. Yet the Eisenhower Adminis-



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tration overruled the board and gave McCone's shipping partner the contract anyhow.

Claiming no part in the contract negotiations, McCone testified last week: "This contract was negotiated during the spring of 1958. It was awarded on the 6th of June of 1958. I took office the 9th or 10th of July, some six weeks later."

Maritime records disclose, however, that the contract wasn't awarded until July 25, 1958. Even more significant, it was held up by the Atomic Energy Commission, which wanted the language revised.

All this happened while McCone was chairman. His legal officer, who drafted the changes that the AEC wanted in the States Marine contract, was James Wolf.

Reached in Pittsburgh, where he is now practicing law, Wolf confirmed to this column that the AEC had delayed and revised the contract. Maritime officials, who helped with the revisions, also recall that the question of McCone's conflict came up informally.

This makes clear (1) that the AEC participated in preparing the States Marine contract, and (2) that the final drafting occurred after McCone became chairman.

Yet at his Senate hearing last week, he claimed that the contract negotiations not only were handled strictly by the Maritime Administration but

were completed before he was sworn into the AEC.

Short Memory

Maine's demure Sen. Margaret Chase Smith brought out that McCone, though aware of the States Marine conflict, neglected to mention it during his 1958 confirmation hearings.

"Why didn't you mention the States Marine lines in your answer?" she asked sweetly.

"I cannot recall," shrugged McCone, "except that there was no contract between States Marine and the Atomic Energy Commission."

Again, he was less than frank about the AEC's part in preparing the final contract.

South Dakota's GOP Sen. Francis Case, author of the Renegotiation act which has saved the Government more than \$12 billion in excess war profits, also tried to pin McCone down on his World War II profits.

Fat War Profits

"Apparently," declared Case, "it became possible for a group with which you are associated, with a basic investment of \$100,000, to make profits of over \$44 million in the space of a couple of years or less. Is that a fair statement?"

"No," objected McCone. "I do not think it is, Senator."

He launched into an in-

volved financial discussion which Case disputed by reading the past record.

Sen. Glenn Beall, Maryland Republican, brought out that McCone, as Under Secretary of the Air Force, had participated in awarding a juicy airplane contract to Henry Kaiser, a former business associate. Kaiser-Frazer, promptly ran up the cost of producing the C-119 flying boxcar nearly five times the previous price.

"Wasn't it a fact that Fairchild was building the C-119 for \$260,000?" demanded Beall.

"Just about," McCone admitted.

"And Kaiser-Frazer charged \$1,200,000?" Beall pressed.

"Information of that nature came out in the June, 1953, hearing," McCone acknowledged.

"Why," asked Sen. Howard Cannon, Nevada Democrat, "was the contract taken from Fairchild and awarded to Kaiser?"

"What happened was that we were going through a vast expansion of our aircraft production program," explained McCone. "The problem we faced was whether to open up a second plant under Fairchild management or to take a second source such as Kaiser-Frazer. The recommendation of the Air Materiel Command, which I approved, was to select Kaiser-Frazer."

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